

ProQuest

[Return to NPL Web Page](#)[Text Version](#)[?Help](#)

Searching collections: All Collections

Article Display

[Email Article](#)

< Article 2 of 5 >

[Publisher Info.](#)[Print Article](#)☐ Mark article

Article format: Full Text

[Save Link](#)

Saves this document as a Durable Link under "Results-Marked List"

Mr. Satisfaction; J.D. Power Turned the Auto Industry Upside Down By Asking a Simple Question: Are You Happy With Your Car? Now He's Into Airlines, Hotels, Credit Cards and Who-Knows-What's-Next. Here's Why J.D. Power Is the Good Housekeeping Seal of the '90s.

The Los Angeles Times (Pre-1997 Fulltext); Los Angeles, Calif.; Oct 13, 1996; David Sheff;

Sub Title:

[Home Edition]

Start Page:

12

ISSN:

04583035

Full Text:

(Copyright, The Times Mirror Company; Los Angeles Times 1996all Rights reserved)

What matters most to car owners? In a world of compression ratios, locking differentials and computer-controlled transmissions, satisfaction often comes down to unlikely features. Like cup holders. * Cup holders? * "All you have to do is have a hot cup of coffee spill onto your lap while you're driving to understand why people care about them," says J.D. Power, who has changed the shape and destiny of American and international products by studying these things. "Put in cup holders and your customers will be happier." * At 65, James David Power III, founder of the Agoura Hills-based J.D. Power and Associates, has parlayed a consulting sideline run from his kitchen into 360 employees, branch offices in four countries and revenues of more than \$35 million last year alone--nearly all of it derived from finding out whether or not we're satisfied with what we buy. Power mails millions of surveys and compiles the truckloads of responses into reports that tell companies how happy customers are with their cars or tires or phone service. Subscribers to Power's reports--virtually all the key players in the industries he covers, among them automobiles, airlines, credit cards, hotels and long-distance companies--get detailed information not only about their own customers but also those of their competitors. * Keeping the customer satisfied wasn't entirely commonplace when Power conducted his first survey, in 1968. No more. With advances in technology and improvements in the quality of most consumer goods, customer satisfaction is now, thanks in part to the Power surveys themselves, the benchmark of success. Profits may be transitory, the new thinking goes, but customer satisfaction implies a future because happy customers come back. Increasingly, the Power name is used by consumers when making decisions about major purchases. Companies ranked at the top of his surveys see the results in increased, sometimes skyrocketing, sales. Which is why the fiercely coveted ranking--"#1 in Customer Satisfaction: J.D. Power & Associates"--seems to be everywhere: on TV and print advertisements, even on the windows of cars in showrooms. The Power endorsement now carries as much, and arguably more, weight than those of Good Housekeeping and Consumer Reports.

The impact of Power's surveys has been felt most dramatically in the car business. He has been tracking it since the late 1980s, when American cars were still the stuff of jokes on late-night TV. Then the Buick LeSabre, which had unimpressive sales at the time, ranked as the top domestic nameplate in a Power survey. Not many American cars could boast satisfied customers, so Buick advertised the surprising result in a massive campaign. Sales grew by nearly 100% in the months afterward. "Americans wanted to buy American if there was some assurance that the quality was up," Power says. "Here was a basis for doing so."

The Power imprimatur, says Mike Flynn, associate director of the University of Michigan's Office for the Study of Automotive Transportation, "has more credibility than any other independent evaluation of cars, including Consumer Reports. It has a profound influence on the industry and a direct influence on buyers. In many cases, it tips the balance in the decision about what car to buy." An internal study by Lexus showed that the Power endorsement has more influence on its potential car buyers than anything other than advice from dealers and word of mouth--more

②

than advertising, more than reviews in magazines and newspapers.

"There is a sea of claims out there," says Jim Press, general manager and senior vice president of Lexus. "Customers want an independent source of information. J.D. Power provides one--direct from the consumers' mouth." Adds Yale Gieszl, executive vice president of Toyota Motor Sales USA: "Power has generated intense competition among the auto makers to top one another in product quality and customer satisfaction. By creating the competition, he has helped the auto industry improve."

EVER SINCE THE BUICK SUCCESS STORY, CAR MAKERS THAT PERFORM well in Power surveys have clamored to advertise the results, paying a licensing fee of as much as \$100,000 for the privilege. The publicity value for Power sometimes cuts both ways. In 1990, Chevrolet advertised that its Lumina placed No. 1 among mid-sized specialty cars in a Power study. While this was true, the car had in fact scored worse than average among all the vehicles in the study. Realizing that the value of his name would evaporate if he didn't step in, Power decreed that henceforth, the J.D. Power name could be used only in the advertising of companies that placed first in their category and ranked above the industry average.

Clarence Ditlow, executive director of the Center for Auto Safety in Washington, D.C., a nonprofit consumer advocacy agency, wonders if the controls are tight enough. "Since Power is paid by companies to use the results in their advertisements, there is motivation to fine-tune the surveys so that more companies can win," he says. "It can be confusing to consumers."

Power disagrees. "The consumer can be assured that the companies that use us in their advertising have come out on top." Lexus, which has come out on top more than any other car maker, regularly runs print ads that depict nothing but the 24 Power awards the company has earned since its cars were introduced in 1990. "It's a very effective ad," says Lexus' Press. "We don't have to say anything."

When people meet J.D. Power, they ask what kind of car he drives. He grins wearily, shaking his head. "It doesn't matter what I drive," he insists. (For the record, it's a silver 1993 Lincoln Continental.) Still, if the research his company painstakingly gathers seeks to identify the best car, one might assume that the boss would drive the one at the top of the heap. But people are confused about what the J.D. Power seal means, believing that the Power company has put a car through some sort of test, like Consumer Reports or Car and Driver. In fact, Power and his employees don't review, test or judge anything. What they do is accumulate and analyze data. Lots of it. This data represents the collective and individual voices of consumers in America and throughout the world, which is why it is so valuable. Says Joe Phillippi, an auto-industry analyst with the Lehman Brothers brokerage: "The ability to listen to customers so closely has done more for the car industry than any force in recent years. Power makes no judgment. It's a dispassionate view. He is reflecting the experience of thousands of customers."

What the Power surveys measure, then, is how happy people are with their cars. It's a subtle distinction. "We deal in perceptions," Power says. "The fact is, most cars these days are of pretty good quality. We measure satisfaction, which isn't necessarily the same thing. Satisfaction encompasses more." Such as? "Everything from the look and feel of the car to the number of times it had to be brought in for unscheduled services. It tells a prospective car-buyer, 'People who own this car are very happy with it. There's a good chance that I'll be, too.'"

POWER IN PERSON IS NOT QUITE AS IMPOSING AS HIS WEIGHTY name. He is friendly, soft-faced and soft-spoken, with silver hair and tired eyes behind large-framed glasses. He goes by "Dave."

If most people don't know Power by his face, they do know his name. When he hands his credit card to a clerk at an airline check-in counter, she looks up at him, blinking, awed, and more than a little nervous. "J.D. Power! Ahh, are you that J.D. Power?" When he gives a modest nod, she stands up straighter. "We're proud to have you fly with us," she says, mustering a bigger-than-before, we're-here-to-please smile. Power heads off to catch his plane, and the clerk grabs a phone. By the time he arrives at the gate, the word has spread and agents welcome him by name. On the flight, attendants hover, making sure he's comfortable. When the plane lands, an agent greets him at the jetway and asks if he would like help with his luggage or a limousine ride into the city. (He declines.) It's as if a restaurant critic has been recognized at the neighborhood bistro-of-the-moment.

Power, a Wharton MBA, worked for the Ford Motor Co. as a financial analyst and then as a consultant to General Motors before starting his market-research firm in 1968 with his wife, Julie, out of the kitchen in their Westlake Village home. Toyota was his first customer.

His job was to canvass American customers to determine what the Japanese auto maker had to do to crack the

American marketplace. Power reported back with specific objectives: substantially improve the quality and features of its cars and build a reputation with a long-term commitment to service and customer satisfaction. Toyota's executives listened. "Dave Power's influence on Toyota cannot be underestimated," says Ron Conlin, who is in charge of research for Power. "To the company's credit, it understood the importance of customer satisfaction before its competitors. Along with Honda, it set a standard."

The Big Three got a taste of Power's coming influence in the early 1970s. Assembling a precursor to his modern surveys, Power discovered that 20% of Mazda owners were experiencing the same problem with the company's then-new and highly touted rotary engine: an O-ring often malfunctioned. Power's report was released to subscribing manufacturers in the industry and the news spread. Ford, which was about to make a bid for Mazda, didn't make the offer at that time. (Later, Ford did acquire a third of Mazda.)

The domestic auto makers weren't exactly fans of Power and his early surveys; in fact, they were openly contemptuous of them, due in no small part to their ranking below the Japanese in survey after survey. When it came to customer satisfaction, Power says, "Detroit was asleep. The American companies were doing their own research, but it was designed to justify decisions that had already been made. The Japanese studied every detail of our reports. It's no accident they took over the market."

Eventually, the Big Three were paying attention to Power, too. In fact, the Power surveys, hated as they were initially, were a factor in Detroit's relatively recent comeback. "It took the Big Three a while to get it," Power says, "but they now understand that customer satisfaction must be their No. 1 priority. They listen carefully now."

AT THE J.D. POWER HEADQUARTERS--A BEIGE CONCRETE, TWO-story business park near the freeway in Agoura Hills--there is a sculpture out front that seems to announce Power's presence but is there by coincidence. Power's seal is a big encircled No. 1, but it could be this enormous red check mark.

Inside, the offices are in disarray--packed boxes are stacked in corners, movers are shifting couches. In a cluttered room grandly called the Production Center, an employee punches buttons that control a room-long machine that looks as if it could be used for torture but is called a six-station inserter. It collates cover letters, several pages of questionnaires and \$1 bills--Power often sends dollar bills as a thank you/incentive to would-be respondents. The machine pounds like a steel drum, working nonstop, stuffing 3 million envelopes per year.

Today is a slow if noisy one in the Production Center, unlike the customary controlled chaos when production supervisor Connie Fossa has two shifts of as many as 20 temporary workers hand-addressing envelopes (Power has found that more people respond to them than to typed ones). The questionnaires, which look like SATs, are coded and sent to lists of car owners collected from vehicle registration rolls. Depending on the survey, the recipients will have bought their cars within the past 90 days or within one to five years. The surveys, as many as eight pages long and containing a broad range of questions, take a half-hour to an hour to fill out. Thirty percent to 50% are filled out and returned, an impressive number--the rate of return of unsolicited questionnaires normally runs around 10%.

Maybe it's the one-dollar bills, but customers have also been prodded by dealers trying to stuff the ballot box. Yes, Power admits, dealers and even car manufacturers have attempted to skew the results of surveys with incentives and practice questionnaires. No, he vows, they haven't succeeded. There are mechanisms to stop cheaters, Power maintains; customers who are pressured often report it in the survey. Though car makers and dealers have tried other tactics, even forging questionnaires, Power insists there is no way to beat the system because of meticulous cross-checking. Nor is bribery possible, he says. "It wouldn't do 'em any good. I have no influence. It's the customers who are talking, I'm just here listening."

Raw data is Power's most valuable resource--the opinion of tens of thousands of people per survey locked inside the company's computers. Next it must be interpreted. Power employs dozens of researchers and analysts who come from across the country, from many industries, though most of them have experience in the automobile business. These are people who live for spreadsheets and pie charts, who discuss statistics with precision and passion and who ultimately create Power's eagerly anticipated (and, occasionally, dreaded) reports, which typically fill several brick-thick volumes.

For the auto industry, these documents are both performance review and marching orders. Power prepares hundreds of reports a year. The most famous, because the results are released to the public, are the five major automotive studies: The Sales Satisfaction Index looks at the sales experience itself; the Initial Quality Study poses questions about 89 specific potential problems within 12 categories; the APEAL Study (Automotive Performance, Execution and Layout) is conducted after 90 days of ownership. Widely quoted in advertisements, the Customer

Satisfaction Index is based on a survey taken a year after a vehicle is purchased, and the Vehicle Dependability Index is based on surveys with similar questions asked after five years.

At a time when the quality of all vehicles is so high--Power notes that the cars that rank at the bottom of today's list are better than cars at the top of lists a decade ago--the surveys have revealed that customers are increasingly influenced by advertising, frills and service. Recent surveys showed the industry how fed up people are with high-pressure sales tactics and haggling over price. As a result, some dealers switched to a single-price, no-haggle system. With an estimated 20% of car buyers using the Internet, Power predicts that this and other emerging trends, including vehicle brokers and auto superstores, will transform the industry, forcing dealers to work harder than ever to compete. "Shoppers have information they never had before," says Don Keithley, the Power partner in charge of dealer relations. "Their expectations are higher and they know in advance what they are willing to pay. Dealers who don't change are going to be left by the wayside."

THE AUTO INDUSTRY OVERALL SEEMS SATISFIED WITH POWER--at least the car makers who consistently score highly in the surveys. As one Northern California Chrysler-Plymouth dealer, who refuses to be identified ("Are you kidding? It would be tantamount to a leap off the Golden Gate Bridge"), says: "The people at Power are buddies with certain people in the industry, the same ones who always come out on top. We all know that it's no coincidence."

A manager at a ©Ford dealership, who also refuses to be named, questions whether the playing field is level. "Do we really have a chance to top the list when we're competing with companies that can tailor their products and service to very specific markets, such as Lexus? It's like comparing the dining experience at ©McDonald's with the one at the Four Seasons."

Power shrugs off the complaints. "The customer at the Four Seasons has much higher expectations," he says. "It's in fact a tougher customer to please--Lexus may actually have to work harder to meet the higher expectations of its customers than a company like ©Ford. People's expectations are realistic: They don't expect as much from a \$10,000 car as from a \$50,000 car." Pressed about charges that the results of the studies are massaged to satisfy steady clients, Power is emphatic: "We'd risk everything if we ever tampered with the research," he says. "All we have is our credibility."

When there were complaints in the mid-1980s that the surveys were random and didn't represent the range of customers' views, Power had his studies evaluated by independent statisticians. Their report on his reports: He passed. Mike Flynn of the ©University of Michigan has evaluated the Power methodology and proclaimed it valid. "The sample is large--larger than anything anyone is doing, including Consumer Reports," Flynn says.

Industry analyst Phillippi adds that the Power survey will be more useful in the future because the company is planning to beef up its surveys to measure more of the individual problems people can have with their cars. "They are also getting better at weighing the factors that influence satisfaction, whether it's the relative importance of defective transmissions compared to comfortable seats," he says. Still, notes consumer advocate Ditlow, "As long as they sell the right to advertise the results of their surveys, there is always a potential problem. It's a conflict of interest to purport to judge companies and work for them."

And there have been other complaints. ©Ford protested its poor showing in an Initial Quality Study in which it ranked below domestic competitors at a time the company was calling itself America's highest-quality car manufacturer. ©Ford executives charged that the findings of their own customer research contradicted Power's. Power met with ©Ford executives and explained how his research differed from theirs and suggested that instead of complaining, they should learn from the information. ©Ford listened; in subsequent years, it climbed past GM and Chrysler in many studies (the Ford Explorer is the 1996 best overall sports-utility vehicle, according to the current IQS).

The manner in which the data of Power surveys is released also irks some car makers. Most of the studies rank most makes of cars, but Power only releases--to the public, anyway--a list of the brands that score above average. Those that finish below average are included but are listed in alphabetical order, making it impossible to single out the cars with the worst records. Power's research may be pure, but there is no point in rubbing salt in the wounds caused by the reports--particularly since low-scoring companies are often good clients for his reports and consulting business. Inevitably, the worst cars on the list are leaked to the media by subscribers who receive the complete, blow-by-blow report.

"It's unfortunate," Power says, though he doesn't seem too bothered. "We're not in this business to embarrass companies. We're here for two reasons: to provide information to the public and to show companies where they need to improve. If companies at the bottom of the list are pushed to work harder to satisfy their customers, everyone benefits."

4.

2

5. 1
Meanwhile, Power is adding two services that could further affect the auto business. Beginning next year, he will measure which dealers in the country have the most-satisfied customers. In addition, he is launching a computerized system for tracking what cars are selling with what features at what price which, he claims, will help dealers better serve their customers. The latter has caused eyebrows to raise: How much closer can Power get to the auto industry and still maintain credibility? Dittlow, of the Center for Auto Safety, maintains that Power's closer relationship with dealers resulting from these new surveys is another conflict of interest. Power, as always, insists that his research will remain pure.

2
Having become the undisputed chronicler of customer satisfaction, it's not implausible to imagine Power unleashing the ultimate survey: of Americans' satisfaction with their president. James David Power III gamely contemplates the idea, then just as judiciously rejects it. "There already is a Customer Satisfaction Index that tells us how happy we are with our politicians," he declares. "The next survey is Nov. 5."

PHOTO: Power worker Charles Nutz, knee deep in surveys. To encourage responses, The company mails \$1 bills with its questionnaires.; PHOTO: Lexus shows off its J.D. power awards in ads. The car maker says the power surveys sway its customers more than almost any other factor.; PHOTO: Do you know me? James David Power III, The man who launched a million customer satisfaction surveys.; PHOTOGRAPHER: Susan Werner

Credit: David Sheff is the author of "Game Over: How Nintendo Conquered the World" (Vintage). His last article for the magazine was on champion surfer Kelly Slater

Reproduced with permission of the copyright owner. Further reproduction or distribution is prohibited without permission.